Testimony of JHM Financial Group, LLC and John H. McClutchy Jr., its founder and President IN OPPOSITION TO Raised Senate Bill No. 155, AN ACT CONCERNING THE ALLOCATION OF LOW INCOME HOUSING TAX CREDITS, Referred before the Senate Committee on Housing March 1, 2016

As Background, I have been developing affordable housing since 1972 and over that period of time have developed in excess of 55,000 units of housing, of which approximately sixty-five percent (65%) has been developed as affordable housing through the use of federal housing programs administered by both the Internal Revenue Service, in the case of the Low Income Housing Tax Credit Program, as defined in Section 42 of the United States Internal Revenue Code, as well as various finance programs offered by the United States Department of Housing and Urban Development, including, but not limited to, the Section 8, 221(d)(3), 221(d)(4), 231, 235 and 236 Programs. Since 1972 I have developed affordable housing throughout the United States, including in Connecticut. JHM Financial Group is headquartered in Stamford, Connecticut.

Raised Bill No. 155 is misdirected in its attempts to "socially engineer" communities. Unfortunately, the "unintended" consequences of this bill will, in fact, tear at the fabric of urban communities. While the bill's implied goal of creating greater opportunities for Connecticut's poor is commendable, the method that is being proposed is neither realistic, nor sustainable. As it is written, Raised Bill No. 155 states, among other things, that the Qualified Allocation Plan shall create "priority tiers" that "(1) Feasible nonage-restricted proposals in high, or very high opportunity areas shall be given priority consideration for at least sixty percent of such credits;". At this time DOH has no definition of what "opportunity areas" are. However, the sponsors of the Bill have indicated that the intent is to include high-income, suburban areas within this definition. This is problematic to addressing Connecticut's affordable housing needs.

Presently, the preponderance of those needing affordable housing live in urban areas, where, in many cases, they and their families have lived for decades, if not generations. These are areas where they participate in the local community, where family and friends are together, where the majority of attainable jobs exist and where public transportation is much more abundant than in suburban areas. While there are some opportunities for these families in suburban areas, those opportunities are much less than they are in urban areas. The better solution is to do just what is being done throughout Connecticut today. That is to focus on replacing the obsolete housing that exits within Connecticut's cities, with mixed-income, quality housing that is designed and operated to better reflect the overall community in terms of design, construction and, most importantly, the diversity that presently exists within the various economic strata of each of our cities.

We need to improve Connecticut's urban environment, not abandon it. A major catalyst for improving our cities is the development of affordable housing in mixed-income, mixed-use developments. These developments, when coordinated with city administrations, public-safety departments, school systems and State and federal programs, allow Connecticut's poor to upgrade their housing and enhance their lives as they continue to provide the social fabric that ensures our cities sustainability. Additionally, continuing to develop appropriate affordable housing in the State's urban areas provides the State an opportunity to better leverage its investments by combining them with federal programs and funds that are much more available in cities than in suburbs. By continuing to develop and upgrade housing opportunities in its urban areas, the State will create value and opportunity for all.

Additionally, the process for developing the annual Qualified Allocation Plan needs to be a flexible process that allows both the Department of Housing and the Connecticut Housing Finance Authority to make adjustments regularly. This is a "living" document that needs to be addressed and revised annually to ensure that it takes into consideration the constantly evolving dynamics of Connecticut's housing markets. Restrictions, such as those proposed in Raise Bill No. 155, would severely restrict the flexibility that Section 42 intended.

I strongly recommend that you not refer this Bill forward.